

1 **DIRECT TESTIMONY OF**

2 **ANGIE H. WEBB**

3 **ON BEHALF OF**

4 **SOUTH CAROLINA ELECTRIC & GAS COMPANY**

5 **DOCKET NO. 2013-208-E**

6

7 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
8 **POSITION.**

9 A. My name is Angie H. Webb and my business address is 220
10 Operation Way, Cayce, South Carolina. I am Director of Demand Side
11 Management of South Carolina Electric & Gas Company (“SCE&G” or the
12 “Company”).

13 **Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
14 **BUSINESS EXPERIENCE.**

15 A. I am a graduate of the University of South Carolina, where I
16 received a Bachelor of Science Degree in Mechanical Engineering and a
17 Master of Engineering Degree in Mechanical Engineering. I have
18 completed graduate level courses in the School of Business Administration
19 at USC. I also completed the Advanced Management Program at Duke
20 University.

21 I joined SCE&G in March 1982 as a Student Assistant. Upon
22 completing my degree requirements, I became a Junior Engineer. I worked

1 as an engineer in the Fossil/Hydro business unit performing many
2 engineering design projects at the various coal, gas, and hydro generating
3 facilities. In 1991, I joined the project team that was responsible for
4 constructing the Cope Plant, located in Orangeburg, South Carolina. After
5 that plant became operational, I served as Project Manager for other power
6 generation construction projects. In 2001, I became a Local Manager of a
7 Crew Quarter in the Retail Electric Business Unit. In 2004, I became
8 Business Manager and later Manager of Engineering and System Planning
9 in the Gas Operations business unit. In 2007, I returned to the Fossil/Hydro
10 business unit as Manager of Materials, where I was responsible for spare
11 parts inventory at all coal-fired and hydro power plants. I was promoted to
12 my current position, Director of Demand Side Management, on February 1,
13 2013. In this position, I am responsible for providing direction and
14 leadership for the continued development and execution of the Company's
15 Demand Side Management ("DSM") programs.

16 **Q. HAVE YOU TESTIFIED BEFORE PUBLIC SERVICE**
17 **COMMISSION OF SOUTH CAROLINA ("COMMISSION") IN THE**
18 **PAST?**

19 A. No. This will be the first time I have testified before the
20 Commission.

1 **Q. WHAT SUBJECTS DO YOU DISCUSS IN YOUR TESTIMONY?**

2 A. My testimony discusses SCE&G's proposed suite of DSM programs
3 and how SCE&G evaluated and selected the programs to be included as
4 proposed programs in this docket. I first will introduce the testimony of the
5 Company's other witnesses in this case. I then will give an overview of the
6 existing DSM programs and the Company's experience with respect to
7 those programs. I also will provide an overview of the DSM programs the
8 Company proposes to use after December 1, 2013. I will discuss the
9 proposed DSM rate rider and the incentives the Company is requesting. My
10 testimony also explains the mechanism by which certain qualifying
11 industrial customers of SCE&G may opt out of the DSM programs and
12 corresponding rate rider, and the proposed modifications to the opt-out
13 provisions.

14 **Q. WHAT IS THE COMPANY REQUESTING IN THIS**
15 **PROCEEDING?**

16 A. The Company is seeking Commission approval to extend the
17 operation of the Company's portfolio of DSM programs after November
18 30, 2013, with no changes to the DSM rates. The Company also is
19 requesting to maintain in effect with no change the existing cost recovery,
20 net lost margin revenue, and shared savings mechanisms.

1 **SCE&G'S WITNESSES**

2 **Q. WHO ARE THE OTHER WITNESSES THAT WILL PROVIDE**
3 **DIRECT TESTIMONY FOR SCE&G?**

4 A. The other SCE&G witnesses providing direct testimony are:

5 1. **David K. Pickles**, Senior Vice President, ICF International.

6 Mr. Pickles will testify concerning the comprehensive review of potential
7 energy efficiency and demand reduction programs that he and his
8 organization conducted for SCE&G in 2013. Mr. Pickles will also provide
9 detailed information concerning the specific programs selected by SCE&G
10 to be proposed here.

11 2. **Kenneth R. Jackson**, Vice President, Rates and Regulatory

12 Services, SCANA Services, Inc. Mr. Jackson will testify concerning the
13 Company's proposal to recover its DSM costs through continuation of the
14 current rate rider. He will also discuss the methods by which SCE&G will
15 administer the proposed rider and the procedures for annual reviews of the
16 rate rider and resetting of the amount to be recovered under it. And he will
17 explain the proposed modifications to the opt-out provision.

18 **BACKGROUND OF EXISTING DSM PROGRAMS**

19 **Q. PLEASE EXPLAIN THE COMPANY'S EXISTING DSM**
20 **PROGRAMS.**

21 A. In Order No. 2009-104(A) (March 2, 2009), the Commission
22 directed the Company to investigate appropriate additional DSM programs

1 and report the results of its investigation to the Commission for review. In
2 response to that direction, on June 30, 2009, the Company filed an
3 application in Docket No. 2009-261-E reporting the results of its analysis of
4 potential demand reduction and energy efficiency offerings. The Company
5 proposed a suite of DSM programs and requested that the Commission
6 approve an annual rider to retail rates to allow recovery of SCE&G's costs
7 and net lost margin revenue associated with its DSM programs along with
8 an appropriate incentive for investing in such programs.

9 Several parties of record to that proceeding entered into separate
10 settlement agreements^{*} recommending that the Commission approve
11 SCE&G's energy efficiency programs, subject to certain modifications.
12 Among other things, the parties agreed that (1) SCE&G should revise and
13 expand certain of its DSM programs; (2) the Commission should approve a
14 rate rider mechanism that allowed the Company to recover its actual
15 program costs, net lost margin revenue, and a shared savings incentive; (3)
16 SCE&G would submit an Evaluation, Measurement, & Verification

* There were two settlement agreements. The first settlement agreement was among the South Carolina Office of Regulatory Staff ("ORS"), the Southern Environmental Law Center, the South Carolina Coastal Conservation League, Frank Knapp, Jr., and SCE&G ("General Settlement Agreement"). The second settlement agreement was among ORS, the South Carolina Energy Users Committee, CMC Steel, and SCE&G ("Opt-Out Settlement Agreement"). Friends of the Earth, a party to Docket No. 2009-261-E, was not a signatory to the General Settlement Agreement, but, as reflected in Order No. 2010-472, dated July 15, 2010, stated for the record that it did not object to approval of that agreement by the Commission.

1 (“EM&V”) plan of its DSM programs; (4) SCE&G would make annual
2 filings concerning the DSM programs to the Commission; (5) SCE&G
3 would establish an energy efficiency advisory group; and (6) qualifying
4 industrial customers could opt out of the Company’s suite of DSM
5 programs and the associated charges established under the rate rider. The
6 parties to the settlement agreements also agreed that the Company should
7 have “the authority and flexibility to modify, amend, terminate and/or add
8 any measure or program to its suite of programs without the requirement of
9 seeking prior Commission approval to do so.”

10 **Q. DID THE COMMISSION APPROVE THE SETTLEMENT**
11 **AGREEMENTS?**

12 A. Yes. In Order No. 2010-472, dated July 15, 2010, and issued in
13 Docket No. 2009-261-E, the Commission approved the two settlement
14 agreements, finding that “SCE&G’s proposed suite of DSM programs
15 represented an appropriate and reasonable approach for implementing DSM
16 measures that are in the public interest and are consistent with S.C. Code
17 Ann. § 58-37-20.” The Commission further found that “[t]he suite of
18 programs appears to be helpful in allowing the public to participate in
19 energy efficiency and demand side management activities, thereby
20 affording consumers an opportunity to manage their electricity
21 consumption.”

1 **Q. DID THE COMMISSION AUTHORIZE THE COMPANY TO**
2 **MODIFY THE DSM PROGRAMS IT PROVIDES?**

3 A. Yes. Order No. 2010-472 allows the Company to “modify, amend,
4 terminate and/or add any measure or program to its suite of programs
5 without the requirement of seeking prior Commission approval to do so.”
6 The Commission found that “flexibility in modifying this suite of programs
7 requested by SCE&G will aid the Company in implementing its DSM
8 programs in an efficient manner and will provide it with the ability to adjust
9 these programs based on evolving market conditions and information.”

10 **Q. DID THE COMMISSION ALSO APPROVE A RIDER TO RETAIL**
11 **RATES FOR THE DSM PROGRAMS?**

12 A. Yes. As authorized by S.C. Code Ann. § 58-37-20, the rate rider
13 allows the Company to recover its costs and obtain a reasonable rate of
14 return on its investment in qualified DSM programs sufficient to make
15 those programs at least as financially attractive as construction of new
16 generating facilities. Company Witness Kenneth Jackson will more fully
17 explain the provisions of the current rider to retail rates as approved by the
18 Commission as well as the proposed modifications to the opt-out
19 mechanism.

1 **Q. PLEASE EXPLAIN THE NATURE OF THE ENERGY**
2 **EFFICIENCY ADVISORY GROUP.**

3 A. This group provides yet another source of input regarding the DSM
4 programs and serves to ensure that the DSM programs are structured and
5 operated in the most efficient and effective manner possible. As directed by
6 Order No. 2010-472, this group has met three times during the first
7 program year, two times during the second program year, and two times
8 during the current program year.

9 **Q. HAS THE COMPANY REGULARLY UPDATED THE**
10 **COMMISSION REGARDING THE STATUS AND OPERATION OF**
11 **ITS DSM PROGRAMS?**

12 A. Yes. Since the Commission's approval of the DSM programs, the
13 Company has provided annual updates on its DSM programs for Program
14 Years 1 and 2 in accordance with the terms of the settlement agreements
15 and with Order No. 2010-472. The Company also submitted an annual
16 EM&V report of its DSM programs for each program year. In each
17 instance, the Commission has approved the Company's request for an
18 updated rate rider. Finally, the Company filed as Exhibit B-2 to its Petition
19 in this proceeding the Comprehensive Report and Demand Side
20 Management Portfolio Plan ("Comprehensive Report"). This report
21 analyzes the existing DSM programs and identifies and explains the terms
22 and conditions of the DSM programs that the Company expects to maintain

1 or introduce for the periods December 1, 2013, to November 30, 2014
2 (Program Year 4); December 1, 2014, to November 30, 2015 (Program
3 Year 5); and December 1, 2015, to November 30, 2016 (Program Year 6).
4 Company Witness David Pickles will more fully explain the analysis
5 reflected in the Comprehensive Report.

6 **Q. WHEN WILL THE COMPANY'S AUTHORIZATION TO OFFER**
7 **DSM PROGRAMS EXPIRE?**

8 A. The parties to the General Settlement Agreement agreed that the
9 mechanism approved by the Commission would remain effective for the
10 three annual review cycles or program years following program approval.
11 Because Program Year 3 will conclude on November 30, 2013, the
12 Company is seeking this Commission's approval to continue the DSM
13 programs after November 30, 2013.

14 **Q. WHAT DSM PROGRAMS DOES THE COMPANY PRESENTLY**
15 **PROVIDE TO CUSTOMERS?**

16 A. The Company presently makes available 11 DSM programs, nine of
17 which target residential customers and two of which target commercial and
18 industrial customers. As reported to the Commission in Docket Nos. 2011-
19 49-E and 2012-55-E, the originally-approved Residential Energy Check-up
20 and Home Performance Audit program has been separated into the Home
21 Energy Check-up and Home Performance with ENERGY STAR[®]
22 programs.

1 The DSM programs presently offered by the Company are as
2 follows:

- 3 • **Home Energy Reports (formerly Usage Benchmarking).** This
4 program provides free reports comparing customer's energy
5 usage to peer group and providing information to help identify,
6 analyze, and act upon potential energy efficiency measures and
7 behaviors.
- 8 • **Energy Information Display.** This program consists of a
9 discounted energy information display ("EID") device provided
10 to customers to increase awareness of home energy consumption,
11 thus, driving more energy conscious decision making.
- 12 • **Home Energy Check-up.** This program offers a free in-home
13 visual energy assessment performed by SCE&G staff with a
14 leave-behind energy efficiency kit consisting of 10 compact
15 fluorescent light ("CFL") bulbs, water heater tank wrap, and pipe
16 insulation, as appropriate.
- 17 • **Home Performance with ENERGY STAR (formerly Home**
18 **Performance Audit).** This program provides a comprehensive
19 audit with diagnostic testing of a customer's home by trained
20 contractors with incentives offered for installation of
21 recommended measures.

- 1 • **ENERGY STAR Lighting (formerly ENERGY STAR**
2 **Lighting and Appliance)**. This program provides incentives for
3 the purchase of ENERGY STAR qualified lighting and lighting
4 products.
- 5 • **Heating & Cooling and Water Heating Equipment (formerly**
6 **New HVAC and Water Heater)**. This program consists of
7 incentives to residential customers who purchase high efficiency
8 heating, ventilation, and air conditioning (“HVAC”) and non-
9 electric resistance water heaters (new construction or
10 replacement installations).
- 11 • **Heating & Cooling Efficiency Improvement (formerly**
12 **Existing HVAC Tune-Up)**. This program offers one-time
13 incentives to encourage customers to improve the efficiency of
14 existing HVAC systems through tune-ups, duct insulation, duct
15 sealing, and duct replacement.
- 16 • **ENERGY STAR New Homes**. This program provides
17 incentives to builders of homes meeting ENERGY STAR
18 guidelines.
- 19 • **Neighborhood Energy Efficiency Program (“NEEP”)**. This
20 program provides qualifying customers energy education, an on-
21 site energy survey of the dwelling, and direct installation of low-
22 cost energy saving measures at no additional cost to the

1 customer. Customers receive education on energy efficiency as
2 well as several low-cost, direct install measures to include up to
3 15 CFL bulbs, electric water heater wrap, pipe wrap, water heater
4 temperature check and adjustment, a one year supply of HVAC
5 filters, up to three winterization kits, and a Smart Strip power
6 strip.

- 7 • **Commercial and Industrial – Prescriptive.** This program
8 offers incentives to commercial and industrial customers for the
9 installation of high efficiency lighting, lighting controls, light-
10 emitting diode (“LED”) traffic signals, HVAC systems, and food
11 service equipment.

- 12 • **Commercial and Industrial – Custom.** This program also
13 offers incentives to commercial and industrial customers for
14 qualifying energy efficiency projects that are not eligible for
15 incentives under the Prescriptive Program.

16 These programs all are set forth in Exhibit C to the Petition, except for
17 NEEP, which was initially authorized by the Commission in Order No.
18 2013-266, issued on April 30, 2013, and was formally launched in August
19 2013.

1 **Q. ARE ANY SPECIFIC DSM PROGRAMS DIRECTED TO LOW**
2 **INCOME CUSTOMERS?**

3 A. Yes. The Company developed NEEP consistent with its commitment
4 reflected in Order No. 2010-472 to establish a low-income DSM program.
5 NEEP is directed toward and focused on neighborhoods with a significant
6 amount of households having income levels equal to or less than 150% of
7 the poverty level as defined by the federal government.

8 **Q. HAS THE COMPANY ANALYZED AND REVIEWED THESE**
9 **EXISTING DSM PROGRAMS?**

10 A. Yes. The Company engaged Opinion Dynamics Corporation
11 (“ODC”) to prepare the annual EM&V report pursuant to Order No. 2010-
12 472. ODC is a recognized leader in evaluating and measuring energy
13 efficiency programs. The Company has submitted the EM&V Reports for
14 Program Years 1 and 2 to the Commission and, as required by Order No.
15 2010-472, will submit the EM&V Report for Program Year 3 on or before
16 May 31, 2014. The Company uses the information from these reports to
17 gauge the results of the existing programs and also to structure the revised
18 suite of DSM programs discussed below. The only program that has not yet
19 been reviewed through the EM&V analysis and reporting process is NEEP,
20 which was added in April 2013 and, thus, is too new for a complete
21 evaluation.

1 **Q. WHAT WERE THE RESULTS OF THE DSM PROGRAMS AS**
2 **REFLECTED IN THE EM&V REPORT FOR PROGRAM YEAR 2?**

3 A. The Company's existing portfolio of DSM programs resulted in a
4 net savings of 110,623 MWh of electric energy and 14.88 MW of demand
5 for Program Year 2. Although these results represent 91% of overall
6 projected MWh savings and 72% of overall projected MW savings, several
7 of the programs actually have achieved much higher levels of participation
8 than projected. As discussed below and as identified in Exhibit D to the
9 Petition, the Company will be eliminating the Heating & Cooling
10 Efficiency Improvement Program, which had the lowest level of
11 participation through the end of Program Year 2.

12 **PROPOSED SUITE OF DSM PROGRAMS**

13 **Q. WHAT PORTFOLIO OF DSM PROGRAMS DOES THE COMPANY**
14 **PROPOSE TO PROVIDE IN PROGRAM YEARS 4, 5, AND 6?**

15 A. As summarized in Exhibit B-1 to the Petition and more fully
16 explained in the Comprehensive Report to be introduced by Company
17 Witness David Pickles, the Company currently proposes to provide nine
18 residential and two commercial and industrial DSM programs going
19 forward.

1 **Q. HOW DID THE COMPANY DETERMINE THE DSM PROGRAMS**
2 **THAT IT PROPOSES TO OFFER?**

3 A. The Company engaged ICF International to review and analyze the
4 existing DSM programs and assist the Company in determining which
5 existing DSM programs should be retained and which should be eliminated.
6 In conducting this analysis, ICF and the Company evaluated the cost
7 effectiveness of the current and potential DSM programs and modeled
8 projected program metrics for energy and demand savings, participation
9 levels, and cost effectiveness. This analysis is set forth in Exhibit B-2 to the
10 Petition and will be more fully explained by Company Witness David
11 Pickles. The Company weighed stakeholder input and feedback regarding
12 the existing DSM programs as well as potential programs to be offered.
13 And the Company considered the comments made by the intervenors in
14 Docket No. 2013-50-E, which was the most recent annual update filed by
15 the Company for its DSM programs.

16 **Q. PLEASE IDENTIFY THE RESIDENTIAL DSM PROGRAMS THE**
17 **COMPANY WILL PROVIDE.**

18 A. The Company will continue to provide in substantially the same
19 form eight programs from its existing portfolio of DSM programs:
20 ENERGY STAR Lighting, Home Energy Check-up, Home Performance
21 with ENERGY STAR, Home Energy Reports, Energy Information Display,
22 Heating & Cooling and Water Heating Equipment, ENERGY STAR New

1 Homes, and NEEP. In addition, the Company proposes to add the following
2 DSM program for residential customers:

- 3 • **Appliance Recycling.** This program offers incentives to
4 customers for allowing SCE&G to collect and recycle less-
5 efficient, but operable, secondary refrigerators, room air
6 conditioners and standalone freezers, permanently removing the
7 units from service.

8 **Q. IS THE COMPANY ELIMINATING ANY OF ITS EXISTING**
9 **RESIDENTIAL DSM PROGRAMS?**

10 A. Yes. As I noted above, pursuant to its authority to modify its suite of
11 DSM programs, the Company will eliminate the Heating & Cooling
12 Efficiency Improvement Program. This program was designed to encourage
13 residential customers to improve the efficiency of their existing HVAC
14 systems. The customer qualified for a one-time incentive for this work
15 through a rebate for services delivered by independent contractors. The
16 program is being eliminated based on several factors, including low
17 customer participation, lack of acceptance by a majority of contractors and
18 trade allies, and higher than expected administrative costs related to training
19 contractors and trade allies. However, for Program Years 4-6, the more
20 popular measures within the program—duct sealing, duct insulation, and
21 complete duct replacement—will be added to and included in the Heating
22 & Cooling and Water Heating Equipment Program.

1 **Q. PLEASE IDENTIFY THE COMMERCIAL AND INDUSTRIAL DSM**
2 **PROGRAMS THE COMPANY WILL PROVIDE.**

3 A. The Company will continue to provide in substantially the same
4 form both programs from its existing portfolio of DSM programs for
5 commercial and industrial customers, although those programs will be
6 combined going forward into separate elements of the Energy Wise for
7 your Business program. In addition, the Company will offer a new program
8 specifically directed toward small businesses. These programs will be
9 structured as follows:

10 • **Energy Wise for your Business.**

11 ○ **Prescriptive.** Incentives are provided to non-residential
12 customers for the installation of high efficiency lighting,
13 lighting controls, LED traffic signals, HVAC systems, and
14 food service equipment. The prescriptive segment offers a
15 simplified method to make efficient choices on pre-
16 defined energy efficiency measures without requiring
17 complex analysis

18 ○ **Custom.** Incentives and technical assistance are provided
19 to non-residential customers seeking to improve the
20 efficiency of existing facilities as well as at the time of
21 new equipment purchases, facility modernization, and
22 new construction. This program further supports

1 customers in identifying and implementing more complex
2 site-specific opportunities through measures not addressed
3 by the prescriptive measures.

- 4 • **Small Business Direct Install (“SBDI”).** This program provides
5 cost-effective, comprehensive retrofit services to small business
6 customers on a turnkey basis. Through SBDI, small business
7 customers have the opportunity to receive financial incentives as
8 well as educational and technical assistance for projects
9 involving the replacement of existing equipment where the
10 equipment being replaced continues to function, but is outdated
11 and energy inefficient.

12 **Q. HOW WOULD YOU DESCRIBE THE SCOPE OF THE**
13 **COMPANY’S PROPOSED DSM PROGRAMS IN AGGREGATE?**

14 A. The proposed DSM programs provide benefit to customers in all
15 customer classes and provide a broad range of measures to support energy
16 efficiency in new construction and in existing construction. These programs
17 include programs targeting energy education and energy assessments and
18 programs providing incentives for specific energy efficiency investments.
19 In addition, each of these programs will be coupled with a specific
20 marketing plan that will further increase customer awareness of the
21 importance of energy efficiency and add to the information value of the
22 portfolio of programs as a whole.

1 **Q. DID THE COMPANY ANALYZE THE PROJECTED NET**
2 **SAVINGS IMPACT, PROGRAM COSTS, AND COST**
3 **EFFECTIVENESS RESULTS FOR THESE PROPOSED DSM**
4 **PROGRAMS?**

5 A. Yes. Each of the programs and the measures that they include has
6 been carefully analyzed to provide assurance that if they function as
7 intended, they will indeed provide sufficient benefits to customers that
8 justify their cost. This information, which is more fully reflected in Exhibits
9 B-2 and E to the Petition and in the Comprehensive Report to be discussed
10 by Company Witness David Pickles, is summarized in the following chart:

Summary of Program Years 4-6
[December 1, 2013-November 30, 2016]

Program	MWh (Net)	MW (Net)	Program Costs \$1,000(s)	Cost-Effectiveness	
	Cumulative Total	Cumulative Total	Cumulative Total	TRC	UCT
ENERGY STAR Lighting	171,409	24.23	\$14,424	2.71	3.9
Home Energy Check-up	8,211	1.14	\$2,539	1.05	1.05
Home Performance with ENERGY STAR	5,763	1.62	\$4,047	1.01	1.6
Home Energy Reports	20,094	15.52	\$3,112	4.53	4.53
Energy Information Display	5,938	1.00	\$1,450	1.36	2.57
Heating & Cooling and Water Heating	39,656	11.42	\$10,254	2.44	4.1
ENERGY STAR New Homes	2,383	0.84	\$1,606	1.71	2.35
Neighborhood Energy Efficiency Program (NEEP)	4,287	0.61	\$1,514	1.45	1.36
Appliance Recycling	6,987	1.55	\$2,032	1.47	1.85
Residential Portfolio	264,728	57.93	\$40,977	2.29	3.29
EnergyWise for Your Business	97,648	13.67	\$28,680	1.46	2.36
Small Business Direct Install	16,157	4.28	\$9,853	1.1	1.24
C&I Portfolio	113,805	17.95	\$38,534	1.39	2.08
Total Portfolio	378,533	75.88	\$79,510	1.85	2.71

Q. BASED ON THESE PROJECTIONS AND THE ANALYSIS SET FORTH IN THE COMPREHENSIVE REPORT AND DEMAND SIDE MANAGEMENT PORTFOLIO PLAN, WHAT CONCLUSIONS DID THE COMPANY REACH REGARDING THE PROPOSED DSM PROGRAMS?

A. SCE&G has determined that these nine residential and two commercial and industrial DSM programs represent a balanced suite of programs that are reasonably practicable for the Company to implement, so as to encourage customer participation; are technically and economically justified; and have a reasonable likelihood of providing savings to customers and the system.

OPT-OUT PROVISION

Q. PLEASE DESCRIBE THE MECHANISM FOR ALLOWING CERTAIN CUSTOMERS TO OPT OUT OF THE DSM PROGRAM AND CORRESPONDING DSM RIDER TO RETAIL RATES.

A. As is more fully explained by Company Witness Kenneth Jackson, SCE&G proposes, with certain modifications, to continue the option by which industrial customers may opt out. An industrial customer electing to opt out of the DSM programs is not allowed to limit the programs from which it opts out but is required to opt out of all DSM programs as a group for all eligible accounts. An industrial customer may later opt in to the DSM program, but, if an incentive is received through the program, may not again opt out for a period of at least as long as the amortization period, which is a minimum of five years.

Q. WHAT MODIFICATION TO THE OPT-OUT PROVISION IS THE COMPANY REQUESTING?

A. The Company proposes to require, effective December 1, 2013, that all industrial customers who opt in after having previously opted out may not again opt out of the DSM programs again. These changes are more fully explained in the testimony of Company Witness Kenneth Jackson.

1 **OVERVIEW OF THE COST RECOVERY & INCENTIVE PROPOSAL**

2 **Q. PLEASE PROVIDE AN OVERVIEW OF THE COMPANY'S**
3 **PROPOSED RIDER FOR THE RECOVERY OF DSM EXPENSES,**
4 **NET LOST MARGIN REVENUE, AND THE INCENTIVE RETURN.**

5 A. SCE&G is proposing to continue the cost recovery, net lost margin
6 revenue, and shared savings mechanisms presently in effect under the
7 existing authorization and rate rider, which Company Witness Kenneth
8 Jackson will describe in detail in his testimony. Under this proposal, the
9 Company would continue recovering its net lost margin revenue and its
10 reasonable and prudent costs incurred in implementing and operating the
11 DSM programs. These costs would be deferred in a DSM account and
12 amortized over a five-year period with unrecovered balances bearing
13 carrying costs at the Company's weighted average cost of capital.
14 Continuation of the shared savings incentive, which is equal to 6% of the
15 estimated net benefits of each energy efficiency program calculated using
16 the Utility Cost Test, will provide the Company with a reasonable financial
17 incentive to implement effective DSM programs as required by S.C. Code
18 Ann. § 58-37-20 while also affording customers with 94% of the program
19 net benefits.

1 **Q. DOES THE COMPANY PROPOSE TO CONTINUE USING THE**
2 **SAME PROCESS TO TRUE UP THE LOST NET MARGIN**
3 **REVENUE FOR FUTURE PERIODS?**

4 A. Yes. The Company proposes that it be allowed to continue to true up
5 recovery of the net lost margin revenue and the shared savings incentive in
6 each annual filing. Company Witness Kenneth Jackson will more fully
7 explain the application of the true up process.

8 **Q. IS THE COMPANY PROPOSING TO CONTINUE THE EXISTING**
9 **PROCESS CONCERNING THE TIMING OF ADJUSTMENTS TO**
10 **THE RATE RIDER?**

11 A. Yes. Presently, each program year begins on December 1 and ends
12 on November 30 of the following year. The Company requests that,
13 consistent with the existing process, it be directed to recompute on an
14 annual basis the required revenue for recovery through the rate rider and the
15 resulting rates and reflect those revenue requirements in an annual report
16 filed in January of each year. Then, following the practice presently
17 established by Order No. 2012-30 and amended by Order No. 2013-147,
18 parties who wish to intervene would be required to petition to intervene by
19 February 28, and ORS and any intervenors would be required to file
20 comments on the application no later than April 1. The appropriate
21 adjustment to the rate rider, determined after consideration of the

1 Company's proposal and the parties' comments, then would be made
2 effective beginning with the first billing cycle in May.

3 **CONCLUSION**

4 **Q. WHAT ARE YOU ASKING THE COMMISSION TO DO IN THIS**
5 **PROCEEDING?**

6 A. The Company respectfully requests that the Commission review the
7 testimony and other evidence in this proceeding, reauthorize the rate rider
8 mechanism as authorized in Order No. 2010-472, and issue an Order
9 including, but not limited to, the following provisions:

- 10 1) Approve the rate rider attached as Exhibit A-2 to the Petition and
11 submitted as part of Company Witness Kenneth Jackson's
12 testimony, which will allow the Company to continue its DSM
13 programs on the same terms and conditions as the DSM Rate Rider
14 presently in effect;
- 15 2) As explained above and more fully in Company Witness Kenneth
16 Jackson's testimony, authorize the Company to
- 17 • recover the actual program costs associated with developing,
18 implementing, and administering its DSM programs and to
19 amortize those costs over five years with unrecovered
20 balances bearing carrying costs at the Company's weighted
21 average cost of capital;

- recover the net lost margin revenue resulting from the programs;
- maintain the shared savings incentive approved in Order No. 2010-472, which is equal to 6% multiplied by the estimated net benefits of each energy efficiency program calculated using the Utility Cost Test and which will provide customers with 94% of the program net benefits;
- amortize the shared savings incentive over five years without interest or carrying costs added to the calculation of the Company's annual rider;
- continue the operation and maintenance of a DSM account in which it may defer DSM costs until further order of the Commission;
- true up recovery of net lost margin revenue and shared savings incentive return as required by the actual experience of operating the DSM programs; and
- require the Company to recompute the revenue required to be recovered through the rider and the resulting adjustment to rates on an annual basis;

- 1 3) Continue the requirement that the Company file an annual report in
2 January of each year as directed in Order No. 2010-472 and as most
3 recently restated in Order No. 2013-266;
- 4 4) Require the Company to report the required adjustment to the rate
5 rider annually beginning with bills rendered on or after the first
6 billing cycle in May thereafter based on a review period from
7 December 1 to November 30;
- 8 5) Continue the Company's authorization to modify, amend,
9 terminate, or add any measure or program to its suite of programs
10 without the requirement of seeking prior Commission approval;
- 11 6) Permit certain qualifying industrial customers to opt out of its suite
12 of DSM programs and the associated charges established under the
13 rate rider, authorize the opt-out notifications presently in effect for
14 industrial customers pursuant to the process authorized by Order
15 No. 2010-472 to remain in effect under the reauthorization of the
16 rate rider, retain the existing minimum five-year opt-out provision
17 for industrial customers subject to that restriction under the current
18 DSM Rate Rider as of December 1, 2013, and require that all
19 industrial customers opting in to the DSM programs on or after
20 December 1, 2013, after having previously opted out at any time
21 may not again opt out again;

1 7) Maintain a process consistent with the procedure presently
2 established by Order No. 2012-300, as amended by Order No.
3 2013-147, in which parties wishing to intervene would be required
4 to file Petitions to Intervene by February 28 of each year, and ORS
5 and other intervenors would be required to file comments on the
6 Company's application, if any, no later than April 1 of each year;
7 and
8 8) Grant any other relief that may be just or equitable in this
9 proceeding.

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 A. Yes, it does.